

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 1905 - SB 2866**

March 2, 2020

**SUMMARY OF ORIGINAL BILL:** Changes, from July 31 to July 1 of each year, the deadline by which an industrial loan or industrial thrift company must submit an annual report to the Department of Financial Institutions.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (015734):** Deletes all language after the enacting clause. Authorizes industrial loan and thrift companies to charge the borrower four percent of the amount financed up to \$50.00 for the purpose of preparing and executing the documents with the federal Truth in Lending Act. Requires that if the loan is prepaid in full within 90 days of the date of the loan, the entity which issued the loan must refund or credit the borrower with a pro rata portion of the of the closing fee. Authorizes the issuer of the loan to keep up to \$25.00 of the original fee if the loan is prepaid with the 90 day timeframe.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumption for the bill as amended:

- Any increase to the workload for the Department of Financial Institutions is estimated to be absorbable within existing staff and resources without a significant increase in state expenditures.

**IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Increase Business Revenue – \$62,172,500/FY20-21 and Subsequent Years**

Assumptions for the bill as amended:

- Assessing an additional fee will result in increased revenue for industrial loan and thrift companies.
- According to the Department of Financial Institutions' 2018 annual report, 1,308,894 loans were made during the year, for a total value of loans of \$2,805,397,011. The average amount per loan made was \$2,143.
- Number of loans charged off during the year was 175,248, for a total value of \$239,152,893; therefore, approximately 13.4 percent of total loans were charged off during the year.
- The proposed legislation will allow industrial loan and thrift companies to charge the borrower four percent of the amount financed up to \$50.00, with a minimum of \$25.00 to be retained, regardless of whether the loan is prepaid within 90 days.
- The number and value of loans paid within 90 days is unknown; however, based on the number of loans charged off during the year, it is estimated that industrial loan and thrift companies will retain \$25 from 10 percent of total number of loans made, or 130,889 (1,308,894 x 10%).
- From the remaining loans, or 1,178,005 (1,308,894 – 130,889), it is assumed that companies will retain \$50 in fees.
- The recurring increase in business revenue is estimated to be \$62,172,475 [(130,889 x \$25) x (1,178,005 x \$50)].
- Any impact on jobs in Tennessee is not significant.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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